

SIGN UP

Introducing 5 FP Newsletters: Energy, Economy, Investor, Work and Finance Financial Post: Introducing 5 Newsletters [Sign Up Now>](#)

Sections

Search

Subscribe

Sign In

[News](#) [FP Energy](#) [FP Finance](#) [FP Investor](#) [FP Economy](#) [FP Work](#) [FP Comment](#)

FP Comment

William Watson: Is cheap daycare really a good idea?

What's good for GDP is not necessarily good for well-being

William Watson

Apr 27, 2021 • April 27, 2021 • 4 minute read • [Join the conversation](#)

Daycare services that parents had been providing on their own are now be produced in the market, where they have to be paid for, and as a result show up in GDP. Is there a net gain in well-being to go along with the increase in GDP? PHOTO BY GETTY IMAGES

To update an old economics fable for the identity century, if a woman marries her fitness trainer, GDP falls. The fitness trainer presumably no longer charges her new wife for fitness instruction, so that lowers GDP. And the wife no longer has to earn the money she formerly spent on workouts she now gets for free. If she decides as a result to work a little less, that lowers GDP, too.

Though GDP is down the couple's well-being presumably is up. They are now married, which makes them better off. (They wouldn't have married otherwise.) The same fitness instruction is still being provided. And the woman who used to purchase it has a little more leisure time because of her decision to work a little less. So: win-win-win, even if GDP does decline.

Register today for The Financial Post and read more free articles.



These 10 vehicles launched mid-pandemic are selling well

The moral of the fable is that GDP and well-being don't always move in the same direction. Growth in the funeral services industry, say, does create jobs and incomes, but there is an important non-monetary downside.

STORY CONTINUES BELOW

The moral of the fable is that GDP and well-being don't always move in the same direction

It's therefore surprising that a Liberal budget — Liberals being well-known, especially to themselves, as sophisticated thinkers — is so focused on GDP. Thus a main reason for the proposed national childcare and early education program is that it will increase GDP. "The addition of 240,000 workers in the labour force would drive an increase in real per capita GDP in the long run of as much as 1.2 per cent."

Canada's labour force is currently more than 20 million strong so an increase of almost a quarter million workers is a bump of a little over one per cent, which is basically the same as the bump in GDP the budget suggests would follow. But surely the question a government should be interested in is, not whether GDP rises, but whether well-being does. That's not so clear.

GDP goes up for a couple of reasons, each the inverse of effects in the above story about the marriage of the fitness instructor and his client.

Daycare services that parents had been providing on their own are now be produced in the market, where they have to be paid for, and as a result show up in GDP. Is there a net gain in well-being to go along with the increase in GDP? The total amount of daycare being provided doesn't change. The same number of kids are still taken care of — except now by people outside the home rather than by family members. Will the professionals do a better job? There's a whole literature on the effects of daycare and early childhood education on kids and the results aren't clear-cut. No doubt some parents do a lousy job. On the other hand, strike-prone government monopolies applying the latest theories from faculties

Register today for The Financial Post and read more free articles.

Of course, women who switch their daycare from home provision to market purchase can now enter the formal labour market and earn wages and salaries that also show up in GDP. Is there a net gain there? It depends. If you had been providing daycare services that the market values at \$20,000 a year and you go out and earn \$60,000 a year instead, that's a plus for you and for GDP (net of any costs of earning that \$60K that didn't arise with homecare).

Is it a plus for welfare? Yes, but not the full \$60K. You're down the \$20K your own daycare services were worth.

MORE ON THIS TOPIC



William Watson: Tories on gas — If it's not a tax it has no effect

Suppose you go out and earn just \$25,000 when your value in homecare was \$20,000. That's not nearly so decisive a net gain — even though GDP is up by the full \$25,000.

What would be the best way to decide whether it makes sense to get a job or stay home? Have people compare their own value in daycare, or what they have to pay for daycare, with what they stand to earn. But of course the brunt of the Liberal plan is to remove the cost of daycare from the equation — all but \$10/day of it.

The budget (on p. 99) includes a chart from the left-leaning Canadian Centre for Policy Alternatives of daycare costs across the country. The entry for Toronto is \$1,578/month, which is \$18,936/year (though a note informs us the data “do not include reductions from means-tested childcare subsidies or tax-based supports”). If I take a \$15,000/year job that requires almost \$19,000 in daycare costs, GDP may rise as a result but the decision makes no economic sense.

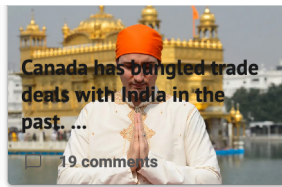
In general, what's best in particular circumstances is what people decide when they compare the costs of their decision to work outside the family with its benefits. Removing a bunch of costs from the equation tilts the decision in favour of market work. That's good for GDP but not necessarily good for overall well-being.



MOST COMMENTED



Register today for The Financial Post and read more free articles.



The Logic

In-depth reporting on the innovation economy from The Logic, brought to you in partnership with the Financial Post.

Financial Post Top Stories

Sign up to receive the daily top stories from the Financial Post, a division of Postmedia Network Inc.

Email Address

Sign Up

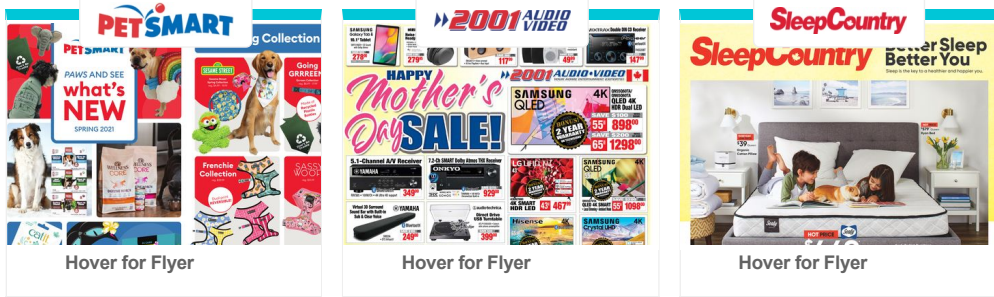
By clicking on the sign up button you consent to receive the above newsletter from Postmedia Network Inc. You may unsubscribe any time by clicking on the unsubscribe link at the bottom of our emails. Postmedia Network Inc. | 365 Bloor Street East, Toronto, Ontario, M4W 3L4 | 416-383-2300

TRENDING

- 1 **Diane Francis: Trudeau is experimenting on his people — and the world is watching**
- 2 **FP Answers: Are markets headed in the same direction as the Great Crash of 1929?**
- 3 **Wealthsimple valuation should be a wake-up call for big banks and traditional money managers**
- 4 **Air Canada pleads with Trudeau for plan to ease travel rules**
- 5 **'A very bad outcome': Enbridge warns Line 5 shutdown will hit consumers as deadline looms**

THIS WEEK IN FLYERS

Register today for The Financial Post and read more free articles.



Powered by

COMMENTS

Postmedia is committed to maintaining a lively but civil forum for discussion and encourage all readers to share their views on our articles. Comments may take up to an hour for moderation before appearing on the site. We ask you to keep your comments relevant and respectful. We have enabled email notifications—you will now receive an email if you receive a reply to your comment, there is an update to a comment thread you follow or if a user you follow comments. Visit our [Community Guidelines](#) for more information and details on how to adjust your [email](#) settings.



News

FP Energy

FP Finance

FP Investor

FP Economy

FP Work

FP Comment

My Account

- Subscriber Self-Serve
- ePaper
- Contact Us

Advertise

- Advertise With Us
- Appointment Notice
- Content Works
- Partnerships
- Resources

Postmedia Network

- National Post
- Regina Leader-Post
- Saskatoon StarPhoenix
- Windsor Star
- Ottawa Citizen
- Winnipeg Sun
- London Free Press
- Canada.com
- Canada.com

Classified

- Remembering
- Celebrating
- Classifieds Marketplace
- Careers
- FlyerCity
- Post a Classified ad
- Local Directory

Sales

- About Us

- Driving.ca
- The Province
- Vancouver Sun
- Edmonton Journal
- Calgary Herald
- Montreal Gazette
- Toronto Sun
- Ottawa Sun
- Calgary Sun

Register today for The Financial Post and read more free articles.



Follow us



Give us some feedback!

365 Bloor Street East, Toronto, Ontario, M4W 3L4
© 2021 Financial Post, a division of Postmedia Network Inc. All rights reserved. Unauthorized distribution, transmission or republication strictly prohibited.
Privacy - Updated Terms Copyright Digital Ad Registry

[Sitemap](#) [Contact us](#)

Register today for The Financial Post and read more free articles.